

## WITHDRAWAL OF DISTILLED SPIRITS.

MARCH 26, 1896.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. EVANS, from the Committee on Ways and Means. submitted the following

### REPORT:

[To accompany H. R. 6659.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 6659) providing for the withdrawal of distilled spirits from bonded warehouses by the distiller or owner, and for other purposes, having considered the same, report it back to the House with the recommendation that it do pass when amended as hereinafter set forth.

By the act of August 28, 1894, commonly known as the "Wilson bill," distillers were authorized to remove any distilled spirits deposited therein from any distillery warehouse or from any special or general bonded warehouse to another, but the privilege of doing this was, by some omission, not given to the owner of the spirits as distinguished from the distiller thereof. As large proportions of the distilled spirits deposited in warehouses are owned by persons other than the distiller, the committee considered it obviously proper that the law should be so amended as to give, under proper supervision and restrictions, the same right of removal to the owner as the distiller has under the act of August 28, 1894, and the first section of this bill so amends the existing law as to give this right to him. It has been found by the internal-revenue officers that certain classes of distilled spirits are being removed from one district to another, somewhat outside of the original intention of the law, and the second proviso in section 1 as amended is meant to limit the right of removal to spirits which require aging in order to make them marketable and in cases where, under existing laws, by reason of defective warehousing or cooperage or other like cause, the Commissioner of Internal Revenue may order the removal of spirits from one warehouse to another.

The intention of the act of 1894 was to enable distillers to remove from one warehouse to another those classes of spirits which should remain in warehouse for a considerable time in order to give them an opportunity to mature, particularly where the distillery warehouses were overcrowded or where the original place of deposit was found to be such as was not the most convenient or desirable for that purpose. But the object of that law has been somewhat perverted by the practice that has grown up of transferring spirits which do not require any aging to warehouses nearer the markets, and in that way to make the warehouse to which they are removed a mere distributing point for their sale. The process by which this is accomplished is a disadvantageous one to the Government, involving expenses in several ways, as pointed out in the letter of the Acting Commissioner of Internal Revenue, extracts from which are appended.

The second section of the proposed bill is designed to prevent any expense to the Government by reason of the removal of spirits from one warehouse to another, and in furnishing the necessary engraved stamp which is required to be put upon each package. It is regarded by the committee as proper that this expense should be borne by the distiller or owner rather than by the Government. Fifteen cents per barrel is said by the internal-revenue officers to be entirely adequate to cover all of these expenses. There is no reason why more should be exacted.

The object of section 3 is to make the law in respect to losses by unavoidable accident or fire, and without fraud or negligence upon the part of the distiller or owner or carrier, the same as in all other cases. For example, section 3221 of the Revised Statutes provides for the remission of taxes where the spirits are destroyed in a warehouse. So the law (act December 20, 1879, 21 Stat. L., 59) authorizes the remission of taxes where spirits are being transported from a warehouse in the interior to a port on the seaboard for exportation to foreign countries. In the latter case, although the exportation of the goods exempts them entirely from internal-revenue taxation, their unavoidable loss in transit to a port of exportation out of the country entitles the owner to a remission of the tax. Unless section 3 is enacted into law a material advantage is given to goods intended for export, and consequent exemption from taxation, over those that are being removed in order to be prepared for market in this country and for the payment of the heavy tax of \$1.10 a gallon thereon.

The committee are of the opinion that section 3, as amended in the manner hereinafter to be noticed, is a just and proper measure, especially as all spirits removed from one warehouse to another are removed in bond. The committee recommend the adoption of the following amendments to the bill:

1. Amend by inserting between the words "warehouse" and "unless," in line 17 of section 1, the words "in another district."
2. Amend by striking out beginning with the words "have remained," in line 18 of section 1, and to including the words "for deposit therein," in line 20 of said section, and in lieu thereof insert the words "in the opinion of the Commissioner of Internal Revenue require aging before becoming marketable."
3. Amend, in line 10, section 2, by striking out the words "twenty-five" and in lieu thereof inserting the word "fifteen."
4. Amend by striking out the word "leakage" in line 8 of section 3.
5. Amend by striking out last three lines.

Extract of letter referred to:

TREASURY DEPARTMENT,  
OFFICE COMMISSIONER OF INTERNAL REVENUE,  
*Washington, D. C., March 21, 1896.*

SIR: \* \* \* The establishment of these warehouses was thought desirable in view of the then proposed extension of the bonded period and the fact that many of the distillery warehouses in the large distilling districts were already overstocked with bonded whiskies not then ready for market, and which are usually held in bond for aging purposes only. It was represented that a large portion of this class of spirits would be transferred to these general bonded warehouses, and would be there held during the remaining bonded period. But no such result followed the establishment of these warehouses. Of the 113,459,789 gallons of bourbon and rye whiskies held in distillery warehouses June 30, 1894 (which is approximately the quantity so held on the date the act went into effect), 587,581.9 gallons only were withdrawn for deposit in general bonded warehouses during the fiscal year 1895; and of this quantity 475,836.1 gallons only remained in such warehouses June 30, 1895. On the other hand, it is found that these warehouses are being extensively used for the temporary storage of alcohol and like spirits intended for immediate market. As

stated in my letter to you under date of the 18th instant, these spirits are found to constitute nearly 75 per cent of the entire deposit in these warehouses during the fiscal year 1895, and that the obvious purpose of such transfers is to enable the distiller to market his spirits in bond and to obtain allowances for losses during transportation which could not otherwise be obtained.

These allowances are clearly not contemplated by law; but in all such cases where spirits are deposited in a general bonded warehouse on the original gauge, as is required, and are regauged upon withdrawal, under the provisions of section 50, act of August 28, 1894, the allowances made under that section for warehouse leakages necessarily include these losses; provided, of course, such losses come within the limits fixed by that section. While these warehouses are provided at the expense of the owner, the cost of providing storekeepers and gaugers and the necessary warehouse stamps and records is borne by the Government; and I see no good reason why this additional expense should be incurred by the Government in order to provide a temporary place of storage for this class of spirits.

As stated in my letter of the 18th, these warehouses, as understood by this office, are designed for the storage of spirits which otherwise would be held in the distiller's warehouse, and not for spirits already marketable, and which heretofore have been at once taxpaid, and before removal from the distillery premises. \* \* \*

Respectfully, yours,

G. W. WILSON, *Acting Commissioner.*

Hon. WALTER EVANS, M. C., *House of Representatives.*

